

ONE HUNDRED FOURTEENTH CONGRESS  
**Congress of the United States**  
**House of Representatives**  
COMMITTEE ON ENERGY AND COMMERCE  
2125 RAYBURN HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515-6115  
Majority (202) 225-2927  
Minority (202) 225-3641

March 18, 2015

The Honorable Ernest Moniz  
Secretary  
U.S. Department of Energy  
1000 Independence Avenue, S.W.  
Washington, D.C. 20585

Dear Secretary Moniz:

As part of our ongoing oversight of the Department of Energy's (DOE) management of the Strategic Petroleum Reserve (SPR), we request additional information concerning DOE's recent activity, including its planning for the future of this strategic asset.

The SPR, according to DOE, is part of the department's "critical infrastructure," and serves a "National Security Critical Essential Function." Yet, DOE has not published a revised study on the optimal size of SPR in light of ever-evolving domestic and global conditions since 1990<sup>1</sup> and the last major assessment of SPR's mission readiness was the Life Extension Program initiated in 1995.<sup>2</sup> Notably, in a July 2014 report, the Office of Inspector General (OIG) cited as an area of concern a prolonged period without examination of SPR's long-term sustainability and performance levels.<sup>3</sup> The OIG called upon DOE to conduct a long-range strategic review of the role and future capabilities of SPR, and DOE agreed to this recommendation.<sup>4</sup> In agency comments on a September 2014 GAO report, DOE noted that a "long-range strategic review of the SPR needs to be accomplished and [DOE] has initiated the process to conduct this review."<sup>5</sup> In a letter to the committee dated December 29, 2014, DOE added that a "draft scope of the

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<sup>1</sup> DOE, Office of Deputy Assistant Sec'y for Petroleum Reserves, *Analysis of Appropriate Size and Drawdown Rate for the Strategic Petroleum Reserve*, p. 9 (Jan. 2006) (on file with committee).

<sup>2</sup> DOE, Office of Inspector General, Office of Audits and Inspections, *The Strategic Petroleum Reserve's Drawdown Readiness*, pp. 3-4 (July 2014), available at: <http://energy.gov/sites/prod/files/2014/07/f17/DOE-IG-0916.pdf>.

<sup>3</sup> *Id.*

<sup>4</sup> *Id.* at 11.

<sup>5</sup> GAO, "Changing Crude Oil Markets," p. 42 (Sept. 2014), available at: <http://www.gao.gov/assets/670/666274.pdf>.

proposed strategic review is currently being reviewed within DOE, to determine future action and establish specific timeframes for completing the study.”<sup>6</sup>

Significant changes to the national energy landscape over recent years make a long-term strategic review of the SPR especially crucial at this time. Consideration of such changing circumstances could inform DOE’s planning with regard to the type of SPR repair and maintenance programs to be prioritized, and might also assist in determining the proper SPR size and crude oil composition – as well as the value of adding refined petroleum products to the reserve’s inventories. In light of DOE’s recent experiences with the SPR and commitments it has made for future action, we request that you respond to the following questions by April 1, 2015:

1. How have lessons learned as a result of last year’s test sale impacted, if at all, DOE’s planning to ensure the long-term sustainability of the SPR – including its network of caverns and key infrastructure – and/or retain or reassess the SPR’s performance criteria?
2. In light of the distribution challenges faced during last year’s test sale, what corrective actions, if any, is DOE planning to address changes in the crude oil distribution system affecting pipeline capacity, storage capacity at crude oil terminals, marine distribution capabilities, and availability of U.S. flagged ships – and what are their potential budget impacts?
3. How does DOE plan to use revenues raised as a result of the test sale currently sitting in the SPR Petroleum Account, not including the \$235 million already committed to the Northeast Refined Petroleum Product Reserve?
4. What are DOE’s current and long-term plans concerning additional releases from the SPR to test operational readiness and operability, or for any other purpose? How has the decline in the price of crude oil since mid-2014 affected any such plans?
5. Please describe the status of DOE’s establishment of a one million barrel Northeast Refined Petroleum Product Reserve.
6. How does DOE plan to fund the continued operation and maintenance of the Northeast Refined Petroleum Product Reserve after the initial 4.5 year term?
7. Does DOE foresee the need to create or study the creation of refined petroleum product reserves in other regions of the country?
8. In the event of a transportation fuel shortage, to what extent does DOE anticipate coordinating the operation of the Northeast Refined Petroleum Product Reserve with the Northeast Home Heating Oil Reserve, established under the Energy Act of 2000?

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<sup>6</sup> Letter from Christopher A. Smith, Assistant Sec’y, Off. of Fossil Energy, Dep’t of Energy to Rep. Fred Upton, Chairman, H. Comm. on Energy & Commerce (Dec. 29, 2014) (on file with committee).



9. In July 2014, DOE committed to OIG that it would conduct a long-range strategic review of SPR to include a comprehensive examination of optimal size and inventory.
- What will be the scope of the review and will it include an assessment of the value of adding refined petroleum products to SPR's inventories?
  - Which office within DOE will be leading this review, or will it be run from outside the agency?
  - What is DOE's timeframe for completing and publishing this review?
  - How will DOE's review be executed to ensure that SPR is best configured to respond to current and future energy and economic security goals?

If you have any questions regarding this request, please contact Sam Spector with the Majority staff at (202) 225-2927 or Rick Kessler with the Minority Staff at (202) 225-3641.

Sincerely,



Fred Upton  
Chairman



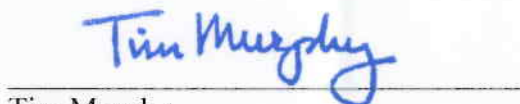
Frank Pallone, Jr.  
Ranking Member




Ed Whitfield  
Chairman  
Subcommittee on Energy and Power



Bobby L. Rush  
Ranking Member  
Subcommittee on Energy and Power



Tim Murphy  
Chairman  
Subcommittee on Oversight and  
Investigations



Diana DeGette  
Ranking Member  
Subcommittee on Oversight and  
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